

CLAM LAKE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2008

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November 25, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Clam Lake Township, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Clam Lake Township, as of June 30, 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America Clam Lake Township has issued separate reporting entity financial statements for which we have issued our report dated November 25, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Lake Township, Wexford County, Cadillac Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Clam Lake Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,526,329. Of this amount, \$610,644 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$695,954 an increase of \$28,072 in comparison with the prior year. About 78.5% is available for spending at the Township's discretion.
- ◆ The business-type activities ended the year with net assets of \$86,922, a decrease of \$2,306 from the prior year.
- ◆ At June 30, 2008, the Township is not obligated for any long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Both of the government-wide financial statements distinguish functions of the Township’s that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Clam Lake Township’s own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$1,526,329 at June 30, 2008, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Clam Lake Township
Net Assets as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets						
Current Assets	\$ 704,294	\$ 679,120	\$ 39,573	\$ 37,714	\$ 743,867	\$ 716,834
Non Current Assets						
Capital Assets	872,844	707,638	114,467	114,467	987,311	822,105
Less: Accumulated Depreciation	(132,239)	(102,155)	(65,242)	(62,953)	(197,481)	(165,108)
Total Non Current Assets	740,605	605,483	49,225	51,514	789,830	656,997
Total Assets	\$1,444,899	\$1,284,603	\$ 88,798	\$ 89,228	\$1,533,697	\$1,373,831
Liabilities						
Current Liabilities	\$ 5,492	\$ 4,934	\$ 1,876	\$ 0	\$ 7,368	\$ 4,934
Net Assets						
Invested in Capital Assets	740,605	605,483	49,225	51,514	789,830	656,997
Restricted	125,855	117,415	0	0	125,855	117,415
Unrestricted	572,947	556,771	37,697	37,714	610,644	594,485
Total Net Assets	1,439,407	1,279,669	86,922	89,228	1,526,329	1,368,897
Total Liabilities and Net Assets	\$1,444,899	\$1,284,603	\$ 88,798	\$ 89,228	\$1,533,697	\$1,373,831

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$610,644 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$157,432 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Clam Lake Township							
Change in Net Assets							
for the Fiscal Year Ended June 30,							
	Governmental		Business-Type		Total Primary		
	Activities		Activities		Government		
	2008	2007	2008	2007	2008	2007	
<u>Revenues</u>							
Program Revenues							
Charges for Services	\$ 21,677	\$ 17,071	\$ 3,308	\$ 8,624	\$ 24,985	\$ 25,695	
Operating Grants and Contributions	4,652	4,596	0	0	4,652	4,596	
Capital Grants and Contributions	68,556	0	0	0	68,556	0	
General Revenues							
Property Taxes and Assessments	254,381	266,842	0	0	254,381	266,842	
State Grants	154,269	150,529	0	0	154,269	150,529	
Interest Earnings	22,570	9,417	2,597	794	25,167	10,211	
Other	20,855	19,363	0	0	20,855	19,363	
Total Revenues	546,960	467,818	5,905	9,418	552,865	477,236	
<u>Expenses</u>							
Legislative	31,805	25,313	0	0	31,805	25,313	
General Government	119,082	114,314	0	0	119,082	114,314	
Public Safety	173,456	162,426	0	0	173,456	162,426	
Public Works	13,806	17,856	0	0	13,806	17,856	
Other Functions	49,073	21,250	0	0	49,073	21,250	
Sewer	0	0	8,211	10,992	8,211	10,992	
Total Expenses	387,222	341,159	8,211	10,992	395,433	352,151	
Changes in Net Assets	159,738	126,659	(2,306)	(1,574)	157,432	125,085	
<u>NET ASSETS</u> - Beginning of Year	1,279,669	1,153,010	89,228	90,802	1,368,897	1,243,812	
<u>NET ASSETS</u> - End of Year	\$ 1,439,407	\$ 1,279,669	\$ 86,922	\$ 89,228	\$ 1,526,329	\$ 1,368,897	

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities

During the fiscal year ended June 30, 2008, the Township's net assets increased by \$159,738 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Clam Lake Township comes from property taxes. The Township levied operating and fire protection millages, this fiscal year. The Township levied 0.8258 mills for operating purposes and 1.9890 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total \$173,456 in fiscal year 2008. General government expenses represented the next largest expense at \$119,082 followed by other functions at \$49,073. Expenses for salaries, including Township assessor, represent a large portion of the general government expenses at \$71,284. Depreciation expense added another \$19,792 in general government and \$10,292 in public works.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$3,308 for 2008. The Township pays the Wexford County Department of Public Works for Township sewer services which totaled \$4,340. Depreciation expense totaled \$2,289.

The Sewer Fund is the Township's only business-type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Clam Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Lake Township's governmental funds reported combined ending fund balances of \$695,954. Of this total amount \$545,983 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that will enhance fire protection.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

General Fund – The General Fund decreased its fund balance by (\$1,791), which brings the fund balance to \$548,676. Of the General Fund's fund balance, \$545,983 is unreserved. Property tax revenues decreased by (\$3,928). State shared revenues increased by \$3,740 from the prior year. The Township also received a state grant for a streetscape improvement project in the amount of \$44,440.

Fire Fund – The Fire Fund increased its fund balance by \$1,352, which brings the fund balance to \$108,073. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2007 tax roll. This resulted in \$157,618 in tax related revenues during the current fiscal year.

Road Improvement Fund #11 – The Road Improvement Fund #11's fund balance increased by \$4,344, which brings the fund balance to \$8,391. This balance is reserved and must be used for road improvements.

The total costs for road improvements have been paid in full.

Road Improvement Fund #12 – The Road Improvement Fund #12 fund balance of \$3,194 did not change from last year. This balance is reserved and must be used for road improvements.

This is a temporary fund which will ultimately be zeroed out when the special assessments are collected in full.

Proprietary Fund - The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of (\$2,306). Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$2,289. A negative change in cash flows illustrates that actual cash outflows were higher than cash inflows for the year ending June 30, 2008.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2008, amounted to \$789,830 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 20.22%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. In addition, the Township occasionally capitalizes items under the \$5,000 threshold. A summary of capital asset categories is illustrated below:

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Clam Lake Township
Capital Assets as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land and Land Improvements	\$ 222,286	\$ 177,846	\$ 0	\$ 0	\$ 222,286	\$ 177,846
Buildings	373,731	373,731	0	0	373,731	373,731
Improvements Other than Buildings	0	0	114,467	114,467	114,467	114,467
Infrastructure	247,701	126,935	0	0	247,701	126,935
Machinery and Equipment	29,126	29,126	0	0	29,126	29,126
	872,844	707,638	114,467	114,467	987,311	822,105
Less Accumulated depreciation	132,239	102,155	65,242	62,953	197,481	165,108
Net Capital Assets	\$ 740,605	\$ 605,483	\$ 49,225	\$ 51,514	\$ 789,830	\$ 656,997

Major capital asset events during the current fiscal year included the following:

- Improvements completed to 43 Road in the amount of \$120,766.
- A streetscape improvement project on US-131 at Exit 177 was completed at a cost of \$44,440.

Long-Term Debt. Clam Lake Township has no obligation for any long-term debt as of June 30, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Lake Township at 8809 E. M-115, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2008

<u>ASSETS</u>	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>CURRENT ASSETS</u>			
Cash	\$ 577,447	\$ 45,495	\$ 622,942
Receivables			
Special Assessments	3,084	0	3,084
External Party (Fiduciary Fund)	41,733	0	41,733
Taxes	2,351	0	2,351
Due from Other Governments	73,757	0	73,757
Due from Other Funds	5,922	(5,922)	0
	<hr/>	<hr/>	<hr/>
Total Current Assets	704,294	39,573	743,867
	<hr/>	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	222,286	0	222,286
Buildings	373,731	0	373,731
Improvements Other Than Buildings	0	114,467	114,467
Infrastructure	247,701	0	247,701
Machinery and Equipment	29,126	0	29,126
	<hr/>	<hr/>	<hr/>
	872,844	114,467	987,311
Less Accumulated Depreciation	132,239	65,242	197,481
Net Capital Assets	<hr/>	<hr/>	<hr/>
	740,605	49,225	789,830
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,444,899	\$ 88,798	\$ 1,533,697
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 3,596	\$ 0	\$ 3,596
Payroll Withholdings	1,465	0	1,465
Accrued Payroll Taxes	431	0	431
Due to Other Governments	0	1,876	1,876
TOTAL LIABILITIES	5,492	1,876	7,368
<u>NET ASSETS</u>			
Invested in Capital Assets	740,605	49,225	789,830
Restricted			
Road Improvements	11,585	0	11,585
Fire Protection	108,073	0	108,073
Street Lighting	1,165	0	1,165
Debt Retirement	2,339	0	2,339
Telecommunications Right of Way Maintenance	2,693	0	2,693
Unrestricted	572,947	37,697	610,644
TOTAL NET ASSETS	1,439,407	86,922	1,526,329
TOTAL LIABILITIES AND NET ASSETS	\$ 1,444,899	\$ 88,798	\$ 1,533,697

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 31,805	\$ 0	\$ 0	\$ 0	\$ (31,805)	\$ 0	\$ (31,805)
General Government	119,082	21,677	0	0	(97,405)	0	(97,405)
Public Safety	173,456	0	0	0	(173,456)	0	(173,456)
Public Works	13,806	0	4,652	68,556	59,402	0	59,402
Other Functions	49,073	0	0	0	(49,073)	0	(49,073)
Total Governmental Activities	387,222	21,677	4,652	68,556	(292,337)	0	(292,337)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	8,211	3,308	0	0	0	(4,903)	(4,903)
TOTAL	\$ 395,433	\$ 24,985	\$ 4,652	\$ 68,556	(292,337)	(4,903)	(297,240)
<u>GENERAL REVENUES</u>							
Property Taxes and Special Assessments					254,381	0	254,381
State Grants					154,269	0	154,269
Interest Earnings					22,570	2,597	25,167
Other					20,855	0	20,855
Total General Revenues					452,075	2,597	454,672
Change in Net Assets					159,738	(2,306)	157,432
<u>NET ASSETS</u> - Beginning of Year					1,279,669	89,228	1,368,897
<u>NET ASSETS</u> - End of Year					\$ 1,439,407	\$ 86,922	\$ 1,526,329

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 484,555	\$ 7,670	\$ 3,760	\$ 77,394	\$ 4,068	\$577,447
Taxes Receivable	1,438	0	0	913	0	2,351
Special Assessment Receivable	0	2,848	0	0	236	3,084
Due from Other Governments	49,641	0	0	0	24,116	73,757
Due from Other Funds	19,446	721	2,025	31,499	525	54,216
TOTAL ASSETS	<u>\$ 555,080</u>	<u>\$ 11,239</u>	<u>\$ 5,785</u>	<u>\$ 109,806</u>	<u>\$ 28,945</u>	<u>\$710,855</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 3,596	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,596
Payroll Withholdings	1,465	0	0	0	0	1,465
Accrued Payroll Taxes	431	0	0	0	0	431
Due to Other Funds	912	0	2,591	1,733	1,325	6,561
Deferred Revenue	0	2,848	0	0	0	2,848
Total Liabilities	<u>6,404</u>	<u>2,848</u>	<u>2,591</u>	<u>1,733</u>	<u>1,325</u>	<u>14,901</u>
<u>FUND BALANCE</u>						
Reserved for:						
Road Improvements	0	8,391	3,194	0	0	11,585
Fire Protection	0	0	0	108,073	0	108,073
Street Lighting	0	0	0	0	1,165	1,165
Sewer Capital Improvements	0	0	0	0	24,116	24,116
Debt Retirement	0	0	0	0	2,339	2,339
Telecommunications Right-of-Way Maintenance	2,693	0	0	0	0	2,693
Unreserved						
Designated for Fire Equipment	69,878	0	0	0	0	69,878
Undesignated	476,105	0	0	0	0	476,105
Total Fund Balance	<u>548,676</u>	<u>8,391</u>	<u>3,194</u>	<u>108,073</u>	<u>27,620</u>	<u>695,954</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 555,080</u>	<u>\$ 11,239</u>	<u>\$ 5,785</u>	<u>\$ 109,806</u>	<u>\$ 28,945</u>	<u>\$710,855</u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances for Governmental Funds	\$	695,954
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	222,286	
Buildings		373,731	
Machinery and Equipment		29,126	
Infrastructure		247,701	
Accumulated Depreciation		<u>(132,239)</u>	740,605

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special Assessment Receivables		<u>2,848</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,439,407</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	ROAD IMPROVEMENT FUND #11	ROAD IMPROVEMENT FUND #12	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 94,687	\$ 0	\$ 0	\$ 157,618	\$ 1,600	\$ 253,905
State Grants	203,361	0	0	0	0	203,361
Contributions from Local Units	0	0	0	0	24,116	24,116
Charges for Services	16,727	0	0	0	0	16,727
Interest and Rents	27,514	0	0	0	6	27,520
Other Revenues	3,778	4,344	0	16,665	0	24,787
Total Revenues	346,067	4,344	0	174,283	25,722	550,416
<u>EXPENDITURES</u>						
Legislative	31,805	0	0	0	0	31,805
General Government	99,290	0	0	0	0	99,290
Public Safety	525	0	0	172,931	0	173,456
Public Works	167,165	0	0	0	1,555	168,720
Other Functions	49,073	0	0	0	0	49,073
Total Expenditures	347,858	0	0	172,931	1,555	522,344
Excess (Deficiency) of Revenues Over Expenditures	(1,791)	4,344	0	1,352	24,167	28,072
<u>FUND BALANCE</u> - Beginning of Year	550,467	4,047	3,194	106,721	3,453	667,882
<u>FUND BALANCE</u> - End of Year	\$ 548,676	\$ 8,391	\$ 3,194	\$ 108,073	\$ 27,620	\$ 695,954

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 28,072
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(30,084)
Capital Outlay	165,206
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Special assessment revenue previously recognized when earned for the entity wide statements.	<u>(3,456)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 159,738</u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 45,495
Due from Other Funds	912
	<hr/>
Total Current Assets	46,407
	<hr/>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	114,467
Less Accumulated Depreciation	65,242
	<hr/>
Net Capital Assets	49,225
	<hr/>
TOTAL ASSETS	\$ 95,632
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Funds	\$ 6,834
Due to Other Governments	1,876
	<hr/>
Total Liabilities	8,710
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	49,225
Unrestricted	37,697
	<hr/>
Total Net Assets	86,922
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 95,632
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 3,308</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	4,340
Legal Fees	685
Professional Services	170
Printing and Publishing	727
Depreciation	<u>2,289</u>
 Total Operating Expenses	 <u>8,211</u>
 Operating Income (Loss)	 (4,903)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	<u>2,597</u>
 Change in Net Assets	 (2,306)
<u>NET ASSETS</u> - Beginning of Year	<u>89,228</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 86,922</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 6,631
Payments to Suppliers	(14,378)
	<hr/>
Net Cash Provided (Used For) Operating Activities	(7,747)
Cash Flows from Investing Activities:	
Interest on Investments	2,597
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,150)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<hr/> 50,645
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<hr/> <u>\$ 45,495</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<hr/> \$ (4,903)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities	
Depreciation	2,289
(Increase) Decrease in Current Assets	
Accounts Receivable	3,173
Due from Component Unit	150
Increase (Decrease) in Current Liabilities	
Due to Other Funds	(10,332)
Due to Other Governments	1,876
	<hr/>
Total Adjustments	(2,844)
	<hr/>
NET CASH PROVIDED (USED FOR) OPERATING ACTIVITIES	<hr/> <u>\$ (7,747)</u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

JUNE 30, 2008

<u>ASSETS</u>		
Cash		<u>\$ 41,733</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Due to Other Funds		\$ 41,733
<u>Net Assets</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 41,733</u>

The notes to the financial statements are an integral part of this statement.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clam Lake Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that the Clam Lake Township Downtown Development Authority is a component unit of the Township. This component unit has been omitted from the Township's basic financial statements. The component unit is individually audited separate from the Township's audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Clam Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Improvement Fund #11* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Road Improvement Fund #12* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Clam Lake Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Selma Township and Cherry Grove Township.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Additionally Clam Lake Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution including repurchase agreements and treasury portfolio B funds. Authorized depositories shall be designated by the Clam Lake Township Board at the Board's organizational meeting after each election of Township Officers.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Clam Lake Township totaled \$87,681,353 on which ad valorem taxes levied consisted of 0.8258 mills for the Clam Lake Township operating purposes, and 1.9890 mills for Clam Lake Township fire protection. These levies raised approximately \$72,398 for operating purposes and \$174,685 for fire protection.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	15-30
Public domain infrastructure	50
Machinery and Equipment	5-10

Clam Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs,

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 13, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Public Works	\$ 83,000	\$ 167,165

This overage was funded with available fund balance and greater than expected revenues.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

III.DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Citizens Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$268,796 of the government's bank balance of \$659,012 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were uncategorized as to risk.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. Receivables

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Road Improvement #11	Road Improvement #12	Fire	Nonmajor and Other Funds	Total
Receivables						
Taxes	\$ 1,438	\$ 0	\$ 0	\$ 913	\$ 0	\$ 2,351
Fiduciary	6,963	721	2,025	31,499	525	41,733
Special						
Assessments	0	2,848	0	0	236	3,084
Due from Other						
Governments	49,641	0	0	0	24,116	73,757
	<u>\$58,042</u>	<u>\$ 3,569</u>	<u>\$ 2,025</u>	<u>\$32,412</u>	<u>\$24,877</u>	<u>\$120,925</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessment Receivable (Road Improvement Fund #11)	<u>\$ 2,848</u>	<u>\$ 0</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 48,000	\$ 0	\$ 0	\$ 48,000
Capital assets, being depreciated				
Buildings	373,731	0	0	373,731
Land Improvements	129,846	44,440	0	174,286
Infrastructure	126,935	120,766	0	247,701
Machinery and equipment	29,126	0	0	29,126
Total capital assets, being depreciated	659,638	165,206	0	824,844
Less accumulated depreciation for:				
Buildings	49,865	11,029	0	60,894
Land Improvements	29,215	7,419	0	36,634
Infrastructure	9,520	9,366	0	18,886
Machinery and equipment	13,555	2,270	0	15,825
Total accumulated depreciation	102,155	30,084	0	132,239
Total capital assets, being depreciated, net	557,483	135,122	0	692,605
Governmental activities capital assets, net	\$ 605,483	\$ 135,122	\$ 0	\$ 740,605

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 114,467	\$ 0	\$ 0	\$ 114,467
Less accumulated depreciation for:				
Improvements other than buildings	62,953	2,289	0	65,242
Business-type activities capital assets, net	\$ 51,514	\$ (2,289)	\$ 0	\$ 49,225

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 19,792
Public Works	10,292
	<u>\$ 30,084</u>
Business-type activities:	
Sewer	<u>\$ 2,289</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The Township has no outstanding construction commitments as of June 30, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 19,446	\$ 912
Special Revenue Funds		
Road Improvement Fund #11	721	0
Road Improvement Fund #12	2,025	2,591
Fire Fund	31,499	1,733
Street Lighting Fund #1	525	802
Street Lighting Fund #2	0	523
Proprietary Fund		
Sewer Fund	912	6,834
Fiduciary Fund		
Tax Fund	0	41,733
	<u>\$ 55,128</u>	<u>\$ 55,128</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

There were no interfund transfers as of June 30, 2008.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At June 30, 2008, the Township was not obligated for any long-term debt.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sewer Fund

The Township is participating with Selma and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of special assessment bonds. The total estimated cost of the project was \$2,605,674. Clam Lake Township's share of this project is 4.39% (\$114,467). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

C. Retirement Plan

The Township has defined contribution pension plan with John Hancock Life Insurance Company which covers Township officers which elect to be covered. Township contributions to the plan for 2007-2008, amounted to \$9,805. In addition, the Township paid \$747 in charges and participant fees. For the 2007-2008 year, total covered payroll amounted to approximately \$68,447 and total wages including non-covered payroll was \$71,284.

D. Fire Protection Contract

The Township entered into an agreement with the City of Cadillac on July 1, 2001, whereas, the City will provide the township with fire protection services. The agreement calls for the township to pay to the City on an annual basis an amount equal to two (2) mills on the taxable value of the real and personal property of the township as determined during each year of the contract. Also, the Township must pay the equivalent of one (1) mill on all property covered by an industrial facilities tax exemption or a commercial facilities tax exemption.

In addition to the above basic payment, Clam Lake agrees that should it be determined that special equipment (equipment not owned by the Cadillac Fire Department) or technical assistance is required to avert or prevent a hazard or hazardous condition, then all costs incurred by the City shall be paid by the Township.

E. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Wexford County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$5,887 for general operating tax revenues, and \$14,180 for fire protection tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

F. Component Unit

The Clam Lake Township Downtown Development Authority is considered a component unit of Clam Lake Township. The DDA is authorized to impose an ad valorem tax on all taxable property within the established DDA Township. The following financial information was taken from the DDA's June 30, 2008, audited financial statements.

Total Assets	\$ 367,498
Net Assets - Unrestricted	367,498
Total Revenues	90,525
Total Expenditures	43,041
Net Increase	47,484

A copy of these audited financial statements may be obtained on request from the DDA treasurer at 102 Doral Drive, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>GENERAL FUND</u>			<u>ROAD IMPROVEMENT FUND #11</u>			<u>ROAD IMPROVEMENT FUND #12</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 104,000	\$ 104,000	\$ 94,687	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 199,893	\$ 199,893	\$ 157,618
State Grants	147,068	147,068	203,361	0	0	0	0	0	0	0	0	0
Charges for Services	17,300	17,300	16,727	0	0	0	0	0	0	0	0	0
Interest and Rents	7,500	7,500	27,514	0	0	0	0	0	0	0	0	0
Other Revenues	6,650	6,650	3,778	4,247	4,247	4,344	0	0	0	0	0	16,665
Total Revenues	282,518	282,518	346,067	4,247	4,247	4,344	0	0	0	199,893	199,893	174,283
<u>EXPENDITURES</u>												
Legislative	34,700	34,700	31,805	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	12,600	12,600	12,000	0	0	0	0	0	0	0	0	0
Election	3,500	3,500	2,207	0	0	0	0	0	0	0	0	0
Assessor	29,000	29,000	26,705	0	0	0	0	0	0	0	0	0
Clerk	15,660	15,660	14,917	0	0	0	0	0	0	0	0	0
Board of Review	1,500	1,500	942	0	0	0	0	0	0	0	0	0
Treasurer	20,250	20,250	19,923	0	0	0	0	0	0	0	0	0
Building and Grounds	16,000	16,000	15,297	0	0	0	0	0	0	0	0	0
Cemetery	7,400	7,400	7,299	0	0	0	0	0	0	0	0	0
Public Safety	12,000	12,000	525	0	0	0	0	0	0	174,256	174,256	172,931
Public Works	83,000	83,000	167,165	4,247	4,247	0	0	0	0	0	0	0
Other Functions	92,500	92,500	48,843	0	0	0	0	0	0	0	0	0
Contingency	34,000	34,000	0	0	0	0	0	0	0	0	0	0
Total Expenditures	362,110	362,110	347,628	4,247	4,247	0	0	0	0	174,256	174,256	172,931
Excess (Deficiency) of Revenues Over Expenditures	(79,592)	(79,592)	(1,561)	0	0	4,344	0	0	0	25,637	25,637	1,352
<u>FUND BALANCE</u> - Beginning of Year	550,467	550,467	550,467	0	0	4,047	0	0	3,194	89,090	89,090	106,721
<u>FUND BALANCE</u> - End of Year	\$ 470,875	\$ 470,875	\$ 548,906	\$ 0	\$ 0	\$ 8,391	\$ 0	\$ 0	\$ 3,194	\$ 114,727	\$ 114,727	\$ 108,073

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 484,555
Taxes Receivable	1,438
Due from Other Governments	49,641
Due from Other Funds	<u>19,446</u>
 TOTAL ASSETS	 <u><u>\$ 555,080</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,596
Due to Other Funds	912
Payroll Withholdings	1,465
Accrued Payroll Taxes	<u>431</u>
 Total Liabilities	 <u>6,404</u>

FUND BALANCE

Reserved	
Telecommunications Right of Way Maintenance	2,693
Unreserved	
Designated for Fire Equipment	69,878
Undesignated	<u>476,105</u>
 Total Fund Balance	 <u>548,676</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 555,080</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Taxes	\$ 94,687
State Grants	203,361
Charges for Services	16,727
Interest and Rents	27,514
Other Revenues	<u>3,778</u>
 Total Revenues	 <u>346,067</u>

EXPENDITURES

Legislative	
Township Board	31,805
General Government	
Supervisor	12,000
Election	2,207
Assessor	26,705
Clerk	14,917
Board of Review	942
Treasurer	19,923
Building and Grounds	15,297
Cemetery	7,299
Public Safety	525
Public Works	167,165
Other Functions	<u>49,073</u>
 Total Expenditures	 <u>347,858</u>

Excess (Deficiency) of Revenues	
Over Expenditures	(1,791)

<u>FUND BALANCE</u> - Beginning of the Year	<u>550,467</u>
<u>FUND BALANCE</u> - End of the Year	<u><u>\$ 548,676</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 7,670
Special Assessments Receivable	2,848
Due from Tax Fund	<u>721</u>
 TOTAL ASSETS	 <u><u>\$ 11,239</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 2,848
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FUND BALANCE

Reserved for Road Improvement	<u>8,391</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 11,239</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Other Revenues	
Special Assessments	\$ 3,932
Interest on Special Assessments	239
Penalties on Late Payments	<u>173</u>
 Total Revenues	 4,344

EXPENDITURES

Public Works	
Highways, Streets, and Bridges	
Repairs and Maintenance	<u>0</u>
 Excess (Deficiency) of Revenues Over Expenditures	 4,344

<u>FUND BALANCE</u> - Beginning of Year	<u>4,047</u>
 <u>FUND BALANCE</u> - End of Year	 <u><u>\$ 8,391</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 3,760
Due from Tax Fund	<u>2,025</u>
 TOTAL ASSETS	 <u><u>\$ 5,785</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 2,591
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FUND BALANCE

Reserved for Road Improvement	<u>3,194</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,785</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND #12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Other Revenues

Interest on Special Assessments	\$ 0
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EXPENDITURES

Public Works

Highways, Streets, and Bridges

Repairs and Maintenance	<u>0</u>
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Excess (Deficiency) of Revenues

Over Expenditures	0
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<u>FUND BALANCE</u> - Beginning of Year	<u>3,194</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 3,194</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 77,394
Taxes Receivable	913
Due from Tax Fund	<u>31,499</u>
 TOTAL ASSETS	 <u><u>\$ 109,806</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 1,733
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FUND BALANCE

Reserved for Fire Protection	<u>108,073</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 109,806</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Taxes

Current Property Taxes \$ 157,618

Other Revenues

Downtown Development Authority

Reimbursement 16,665

Total Revenues 174,283

EXPENDITURES

Public Safety

Fire Department

Aid to Other Government

Fire Contract - City of Cadillac 171,198

Supplies 485

Contracted Services 500

Repairs and Maintenance 748

Total Expenditures 172,931

Excess (Deficiency) of Revenues

Over Expenditures 1,352

FUND BALANCE - Beginning of Year 106,721

FUND BALANCE - End of Year \$ 108,073

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 45,495
Due from Other Funds	912
	<hr/>
Total Current Assets	46,407
	<hr/>

CAPITAL ASSETS

Improvements Other than Buildings	114,467
Less Accumulated Depreciation	65,242
	<hr/>
Net Capital Assets	49,225
	<hr/>
TOTAL ASSETS	\$ 95,632
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

LIABILITIES

Due to Other Funds	\$ 6,834
Due to Other Governments	1,876
	<hr/>
TOTAL LIABILITIES	8,710
	<hr/>

NET ASSETS

Invested in Capital Assets	49,225
Unrestricted	37,697
	<hr/>
Total Net Assets	86,922
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 95,632
	<hr/> <hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES

Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 3,308</u>

OPERATING EXPENSES

Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	4,340
Legal Fees	685
Professional Services	170
Printing and Publishing	727
Depreciation	<u>2,289</u>
 Total Operating Expenses	 <u>8,211</u>
 Operating Income (Loss)	 (4,903)

NONOPERATING REVENUES (EXPENSES)

Interest Income	<u>2,597</u>
 Change in Net Assets	 (2,306)

<u>NET ASSETS</u> - Beginning of Year	<u>89,228</u>
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<u>NET ASSETS</u> - End of Year	<u><u>\$ 86,922</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 6,631
Payments to Suppliers	<u>(14,378)</u>

Net Cash Provided by Operating Activities	(7,747)
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Cash Flows from Investing Activities:

Interest on Investments	<u>2,597</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	(5,150)
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>50,645</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 45,495</u></u>
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RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (4,903)</u>
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Adjustments to Reconcile Operating Income

To Net Cash Provided by Operating Activities

Depreciation	2,289
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(Increase) Decrease in Current Assets

Accounts Receivable	3,173
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Due from Component Unit	150
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Increase (Decrease) in Current Liabilities

Due to Other Funds	(10,332)
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Due to Other Governments	<u>1,876</u>
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Total Adjustments	<u>(2,844)</u>
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NET CASH PROVIDED BY
OPERATING ACTIVITIES

	<u><u>\$ (7,747)</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET
JUNE 30, 2008

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>ASSETS</u>			
Cash	\$ 1,965	\$ 2,103	\$ 4,068
Special Assessments Receivable	0	236	236
Due from Tax Fund	525	0	525
Due from Other Governments	24,116	0	24,116
TOTAL ASSETS	<u>\$ 26,606</u>	<u>\$ 2,339</u>	<u>\$ 28,945</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 1,325	\$ 0	\$ 1,325
<u>FUND BALANCE</u>			
Reserved	25,281	2,339	27,620
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,606</u>	<u>\$ 2,339</u>	<u>\$ 28,945</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<u>REVENUES</u>			
Taxes	\$ 1,600	\$ 0	\$ 1,600
Contributions from Local Units	24,116	0	24,116
Interest and Rents	0	6	6
	<hr/>	<hr/>	<hr/>
Total Revenues	25,716	6	25,722
<u>EXPENDITURES</u>			
Public Works	1,555	0	1,555
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	24,161	6	24,167
<u>FUND BALANCES</u> - Beginning of Year	1,120	2,333	3,453
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u> - End of Year	\$ 25,281	\$ 2,339	\$ 27,620
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	STREET LIGHTING FUND #1	STREET LIGHTING FUND #2	SEWER CAPITAL IMPROVEMENT FUND	TOTAL
<u>ASSETS</u>				
Cash	\$ 948	\$ 1,017	\$ 0	\$ 1,965
Due from Tax Fund	525	0	0	525
Due from Other Governments	0	0	24,116	24,116
 TOTAL ASSETS	 \$ 1,473	 \$ 1,017	 \$ 24,116	 \$ 26,606
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to General Fund	\$ 802	\$ 523	\$ 0	\$ 1,325
<u>FUND BALANCE</u>				
Reserved for:				
Street Lighting	671	494	0	1,165
Sewer Capital Improvements	0	0	24,116	24,116
 Total Fund Balance	 671	 494	 24,116	 25,281
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,473	 \$ 1,017	 \$ 24,116	 \$ 26,606

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	STREET LIGHTING FUND #1	STREET LIGHTING FUND #2	SEWER CAPITAL IMPROVEMENT FUND	TOTAL
<u>REVENUES</u>				
Taxes	\$ 1,000	\$ 600	\$ 0	\$ 1,600
Contributions from Local Units	0	0	24,116	24,116
Total Revenues	1,000	600	24,116	25,716
<u>EXPENDITURES</u>				
Public Works	957	598	0	1,555
Excess (Deficiency) of Revenues Over Expenditures	43	2	24,116	24,161
<u>FUND BALANCE</u> - Beginning of Year	628	492	0	1,120
<u>FUND BALANCE</u> - End of Year	\$ 671	\$ 494	\$ 24,116	\$ 25,281

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 948
Due from Tax Fund	<u>525</u>
TOTAL ASSETS	<u><u>\$ 1,473</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 802
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FUND BALANCE

Reserved for Street Lighting	<u>671</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,473</u></u>
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 1,000	\$ 1,000
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	1,000	957
Excess (Deficiency) of Revenues		
Over Expenditures	0	43
<u>FUND BALANCE</u> - Beginning of Year	455	628
<u>FUND BALANCE</u> - End of Year	\$ 455	\$ 671

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2

BALANCE SHEET
JUNE 30, 2008

<u>ASSETS</u>		
Cash		<u>\$ 1,017</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to General Fund		\$ 523
<u>FUND BALANCE</u>		
Reserved for Street Lighting		<u>494</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 1,017</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STREET LIGHTING FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 600	\$ 600
<u>EXPENDITURES</u>		
Public Works		
Street Lighting		
Other Services and Charges		
Public Utilities	<u>600</u>	<u>598</u>
Excess (Deficiency) of Revenues		
Over Expenditures	0	2
<u>FUND BALANCE</u> - Beginning of Year	<u>86</u>	<u>492</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 86</u>	<u>\$ 494</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER CAPITAL IMPROVEMENT FUND

BALANCE SHEET
JUNE 30, 2008

	<u>2008</u>
<u>ASSETS</u>	
Due from Other Governments	<u>\$ 24,116</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Sewer Capital Improvements	<u>24,116</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 24,116</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER CAPITAL IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

JUNE 30, 2008

	<u>2008</u>
<u>REVENUES</u>	
Contributions from Local Units	
Contributions from Wexford County Department of Public Works	\$ 24,116
<u>EXPENDITURES</u>	<u>0</u>
Excess (Deficiency) of Revenues	
Over Expenditures	24,116
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 24,116</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 2,103
Special Assessments Receivable	<u>236</u>
TOTAL ASSETS	<u><u>\$ 2,339</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Debt Retirement	<u>2,339</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,339</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NONMAJOR DEBT SERVICE FUND - SEWER PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Interest on Investments	\$ 6
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EXPENDITURES

0

Excess (Deficiency) of Revenues
Over Expenditures

6

FUND BALANCE - Beginning of Year

2,333

FUND BALANCE - End of Year

\$ 2,339

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE	
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008	
<u>ASSETS</u>					
Cash	\$ 65,168	\$ 2,869,657	\$ 2,893,092	\$ 41,733	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 65,168	\$ 234,539	\$ 257,974	\$ 41,733	
Due to Other Governmental Units	0	2,618,038	2,618,038	0	
Due to Other Organizations and Individuals	0	17,080	17,080	0	
TOTAL LIABILITIES	\$ 65,168	\$ 2,869,657	\$ 2,893,092	\$ 41,733	

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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November 25, 2008

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Clam Lake Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

3) Lack of Adequate Controls to Timely Record, Process and Summarize Accounting data.

Management is responsible for ensuring that a reliable system exists for recording, processing and summarizing accounting data on a timely basis. Specific processes not completed on a timely basis include but are not necessarily limited to the following:

- A. The bank accounts are not being reconciled to their respective bank statements monthly. The State of Michigan Accounting Procedures Manual for Local Governments requires that bank accounts are reconciled to their respective bank statements on a monthly basis. When we tested reconciliations as part of our audit we discovered that transactions had been recorded in the Treasurer's ledger, but not the Clerk's and vice versa. We also found that the current reconciliations being completed by the Treasurer do not reconcile the bank accounts to their respective bank statements. This results in the reporting of incorrect cash balances as well as significant additional staff resources to reconcile and correct the balances.

To improve lack of adequate controls to timely record, process and summarize accounting data we recommend that the Township implement a process to reconcile the bank accounts to their respective bank statements monthly.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiency described above in item number 3 is a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C

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November 25, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clam Lake Township for the year ended June 30, 2008, and has issued our report thereon dated November 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 25, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clam Lake Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant

transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Clam Lake Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- (1) The Township did not adopt a budget for the Road Improvement Fund #12. A budget should be adopted for the General Fund and each Special Revenue Fund.

(2) The budget did not include the all of the elements required by PA 621 of 1978. These required elements are:

- a. Actual expenditures for the most recently completed fiscal year;
- b. Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- c. An estimate of the expenditures in the next fiscal year;
- d. Actual revenue for the most recently completed fiscal year;
- e. Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- f. An estimate of the revenue in the next fiscal year;
- g. Beginning and ending fund balance for each year;
- h. An estimate of the amounts needed for deficiency, contingent, or emergency purposes; and
- i. Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

Reconciliation of Clerk and Treasurer Records

It appears that the Clerk's and Treasurer's records are not being reconciled to each other on a regular basis. We recommend that the Clerk and Treasurer compare and reconcile their records to each other on a monthly basis.

Balance in the Tax Collection Fund

The Current Tax Collection Fund had a balance of \$41,733 at year end. The balance is made up of taxes for Clam Lake Township for prior years of \$41,733. The amounts due to the Township's funds are as follows:

- General Fund, \$6,963
- Road Improvement Fund #11, \$721
- Road Improvement Fund #12, \$2,025
- Fire Fund, \$31,499
- Street Lighting Fund #1, \$525

We recommend that these amounts due to the Township's funds be transferred as soon as possible. The tax account should be cleared out prior to the beginning of the new tax roll levy in July of each year.

Tax Collection Distributions

It was not apparent that distributions of tax collections are being made timely. Tax collection distributions must be made within 10 days after the 1st and 15th of the month. The distribution should include all collections made up to that point.

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BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.